

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

Testimony Insurance and Real Estate Committee February 27, 2019

Senate Bill No. 906 An Act Concerning the Insurance Department's Recommended Changes to the Insurance Statutes.

Committee Chairs, Vice Chairs, Ranking Members, and Members of the Insurance and Real Estate Committee, the Insurance Department appreciates the opportunity to submit testimony in support of **Senate Bill No. 906 An Act Concerning the Insurance Department's Recommended Changes to the Insurance Statutes**. The Department thanks the Committee for raising this bill and hearing it on the Department's behalf. This is the Department's technical bill that would make minor technical changes to various statutes in Title 38a.

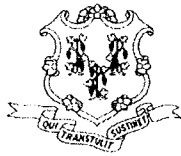
Section 1: Flexibility in Rate and Form Review by Outside Consultants: This section would amend CGS 38a-8 to allow the Department, particularly the Life & Health and Property & Casualty Divisions, to engage outside experts when necessary in order to review the appropriateness of insurance product rates, forms or similar filings with the Department and to recover the costs of such engagements from the carrier(s) making the filing. This will allow the Department to keep up with the pace of innovation, evolving technologies and new insurance products in the market and enable the Department to have expert resources to review product and rate filings, including sophisticated models. Other divisions within the Department already have the ability to access outside experts for examinations, financial analysis of insurers, review of insurer license applications and review of transactions within an insurance holding company system.

Section 2: Opt-In to the Interstate Insurance Product Regulation Compact for Disability Income Products: This section would amend CGS 38a-37 to opt Connecticut into the Interstate Insurance Product Regulation Compact (IIPRC) for disability income products. Connecticut entered into the Compact in 2016 for life and annuity products but opted out of disability income and long-term care products. The Department's requirements for disability income products largely mirror that of the Compact's and the Department believes that becoming a compacting state for disability income products will allow the Department achieve more administrative efficiencies. Connecticut was one of the last states to join the Compact (PA 16-119) and is one of two states that has not opted into disability income products. In joining the Compact, the Department was able to redeploy one full time employee to another division. Adoption of this section will allow the Department to achieve additional administrative and regulatory efficiencies.

Section 3: Mutual Insurance Company Reorganization: This section would amend CGS 38a-156a to clarify that a domestic mutual insurer can reorganize to a mutual insurance holding company by a two-thirds vote of its *voting* members, rather than a two-thirds vote of *all* members. CGS 38a-156a to 38a-156m outline the process for a mutual insurance company to reorganize to a mutual insurance holding company: one of the provisions in the process is an affirmative vote of the members. Without this change from all members to voting members, a domestic mutual insurer would have difficulty taking advantage of this provision of the law. The underlying provisions were enacted in 2014 and to date, no entity has taken advantage of them. However, the Department does not want the state to be disadvantaged should a domestic mutual insurer want to utilize the provisions.

Sections 4-6, 9 & 11: Electronic Notifications for Property & Casualty Products: Sections 12-17 of PA 18-158 permit electronic delivery of nonrenewals, renewals and cancellations of property and casualty products if such a method is agreed upon between an insured and their carrier, effective October 1, 2019. However, the delayed implementation was never the intention and sections 4, 7, 9 and 11 change the implementation date to an earlier July 1, 2019 implementation. Section 5 amends CGS 38a-324 to conform to sections 12-17 of PA 18-158 to permit electronic delivery of nonrenewals, renewals and cancellations if agreed upon between an insured and their carrier, effective July 1, 2019. Many other states allow electronic delivery of such notices. Section 6 allows an electronic notification concerning an employment agreement between a public adjuster and insured if mutually agreed upon.

About the Connecticut Insurance Department: The mission of the Department is to protect consumers through regulation of the industry, outreach, education and advocacy. In FY 2018, the Department recovered more than \$4.5 million on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. For every dollar of direct expense, the Department brings in about \$8.35 to the state in revenues. In FY 2018, the Department returned more than \$145 million in assessments, fees, fines and penalties, and taxes to the state's General Fund.



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Section 7: Updates to Licensee Information: This section amends CGS 38a-771 to update the items requiring licensee notification of the Commissioner of changes in information. Licensees are already required to send addresses when they make updates and the Department already does this via email. This makes the following changes: 1. Added notification of a change in email address; 2. Added notification of a change in designated responsible licensed person (DRLP); and 3. Removal of notification of changes of "licensed members of a firm, partnership, association or officers of a corporation." This will increase efficiencies at the Department and reduce reporting burdens for licensees.

Sections 8 & 10: Repeal of Unnecessary Statutes: These sections repeal subsections (d) and (f) of CGS 38a-193 and CGS 38a-193a. Passage of PA 18-13 amended the Connecticut Life and Health Insurance Guaranty Association Act to include guaranty association coverage for health care centers (a/k/a "HMOs") in the event of insolvency. As a result of the addition of HMOs into the Guaranty Association, and in an attempt to have a level playing field between HMOs and indemnity carriers, these provisions are being removed as they are not required for indemnity carriers. These sections repeals provisions that require health care centers to have a plan for handling insolvency, that require a \$500,000 deposit to protect enrollees of a health care center in receivership and that require a deposit in the amount of 125% of the health care center's outstanding liability for uncovered expenditures for enrollees.

The Department thanks the members of the Insurance and Real Estate Committee for the opportunity to submit testimony on Senate Bill No. 906.

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